



DEPARTMENT OF EDUCATION

Status of Efforts to Address Major Management Challenges

Highlights of GAO-03-872T, a testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

In its 2003 performance and accountability report on the Department of Education, GAO identified challenges in, among other areas, student financial aid programs and financial management. The information GAO presents in this testimony is intended to assist Congress in assessing Education’s progress in addressing and overcoming these challenges.

What GAO Recommends

GAO is not making new recommendations in this testimony, but past reports have made specific recommendations aimed at addressing some of these major management challenges.

What GAO Found

Education has taken steps to address its continuing challenges of reducing vulnerabilities in its student aid programs and improving its financial management, such as establishing a senior management team to address management problems, including financial management, throughout the agency. And, while Education has made significant progress, weaknesses remain that will require the continued commitment and vigilance of Education’s management to resolve.

- **Reduce vulnerability of student aid programs to fraud, waste, abuse, and mismanagement.** Education has made considerable changes to address the ongoing challenges in administering its student aid programs. However, Education needs to continue to address systems integration issues, reduce fraud and error in student aid application and disbursement processes, collect on student loan defaults, and improve its human capital management.
- **Improve financial management.** Education has implemented many actions to address its financial management weaknesses. Significant progress was made earlier this year when Education received an unqualified—or “clean”—opinion on its financial statements for fiscal year 2002. While this is an important milestone for the department, internal control and systems weaknesses remain that impede Education’s ability to produce timely, accurate, and useful financial information for its managers and stakeholders.

History of Financial Management Weaknesses

Fiscal year	Audit opinion ^a	Material internal control weaknesses	Noncompliance with federal systems requirements ^b
1995	Disclaimer	Yes	N/A
1996	Disclaimer	Yes	N/A
1997	Unqualified	Yes	Yes
1998	Disclaimer	Yes	Yes
1999	Qualified	Yes	Yes
2000	Qualified	Yes	Yes
2001	Qualified	Yes	Yes
2002	Unqualified	Yes	Yes

Source: Auditors’ reports for fiscal years 1995-2002.

^aAuditors issue unqualified opinions when the financial statements are presented fairly, in all material respects. Qualified opinions are issued when the financial statements are presented fairly, with exceptions that are specifically disclosed and described. Disclaimers of opinion are rendered when auditors cannot satisfy themselves as to whether the financial statements are presented fairly.

^bThese requirements became effective for fiscal year 1997.

www.gao.gov/cgi-bin/getrpt?GAO-03-872T.

To view the full testimony, click on the link above. For more information, contact Linda Calbom at (202) 512-9508 or calboml@gao.gov.